Manitoba

Annual Report 1985

Manitoba Municipal Employees Benefits Board

Manitoba

Minister of
Municipal Affairs

Winnipeg, Manitoba, CANADA
R3C 0V8

June 5, 1986

Her Honour Pearl McGonigal
Lieutenant Governor of Manitoba
225 Legislative Building
Winnipeg, Manitoba
R3C 0V8

May it Please Your Honour:

As Minister responsible I have the privilege of presenting for the information of Your Honour the Ninth Report of the Municipal Employees Benefits Board for the calendar year ended December 31, 1985.

Respectfully submitted,

John M. Bucklaschuk

John M. Bucklaschuk

Manitoba

Municipal Employees
Benefits Board

600-400 Tache Avenue
(opposite St. Boniface Hospital)
Winnipeg, Manitoba, CANADA
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June 5, 1986

Honourable John M. Bucklaschuk
Minister of Municipal Affairs
330 Legislative Building
Winnipeg, Manitoba
R3C 0V8

Sir:

I have the honour of presenting to you the Ninth Annual Report of the Municipal Employees Benefits Board. The Report summarizes the accomplishments of the Board in the 1985 calendar year and details the status of the pension, disability, and group insurance programs.

Audited financial statements, submitted as required by the Provincial Auditor, are appended to the Report.

These statements reveal the financial strength and administrative soundness of the Municipal Employees Benefits Fund and indicate municipal and quasi-municipal participants can continue to receive and expect to receive retirement, disability and insurance benefits as promised. Board members and the Board's supporting administrative staff are to be commended for their devotion, diligence and dedication in providing municipal employees with a financially secure benefits package.

Respectfully submitted,

G. D. Forrest
Chairman

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Report of the Board

The Municipal Employees Benefits Board was established in 1976 to administer a Pension, Disability and Group Life Insurance Program for municipal and quasi-municipal employees as well as to manage the assets of the trust funds.

Since inception in 1976 and continuing throughout this past year, a predominant characteristic of the Program has been its growth. The number of members, both employee and employer, is continuously on the rise. At the same time, annual amounts of contributions coming in as well as benefits paid out are increasing together with trust fund assets and investment income. Many employers who started out in only the pension plan are gradually expanding into the insurance and disability parts of the Program. An actuarial valuation was made at January 1, 1983 and again a surplus was disclosed. The Actuary stated that the surplus could be used to improve benefits and the Board, as plan fiduciary, has used a major part of this surplus to provide improved benefits. The details contained in the following sections of this Ninth Annual Report clearly demonstrate the growth this Program has experienced.

It is a pleasure to acknowledge the contributions many municipal and quasi-municipal employers made to facilitate the administrative functions of the Board. As well, support staff of the Board deserve warm recognition for their dedication and conscientious service to the Board, and through it, to municipalities, and municipal and quasi-municipal employees who are participating in the Benefits Program.

The Municipal Employees Benefits Board

Chairman

Gerald D. Forrest
Chairman, Municipal Employees Benefits Board
Deputy Minister, Municipal Affairs
Winnipeg

Employer Representatives

Elmer Greenslade
Mayor, City of Portage la Prairie
Representative, Manitoba Association of Urban Municipalities

Dave Harms
Reeve, R.M. of Pembina
Representative, Union of Manitoba Municipalities

Employee Representatives

Tom Clark
Vice Chairman, Municipal Employees Benefits Board
C.U.P.E. Winnipeg

Frank Woodmass
City Treasurer, City of Brandon

General Manager

Walter Worosz
General Manager, Municipal Employees Benefits Board
General Manager, Civil Service Superannuation Board
Winnipeg

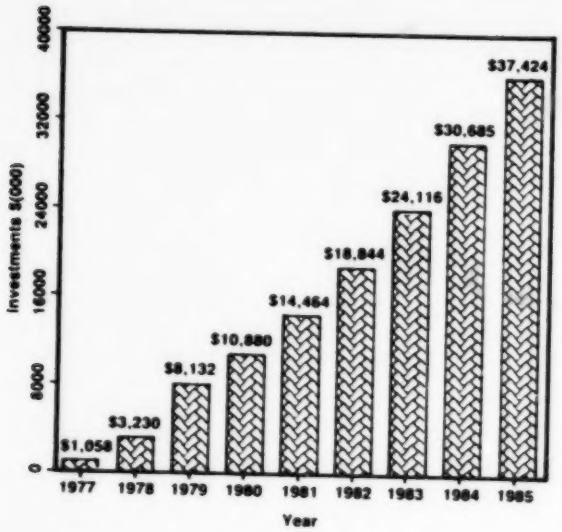
MUNICIPAL EMPLOYEES BENEFITS PROGRAM

9 Year Comparative Statistics

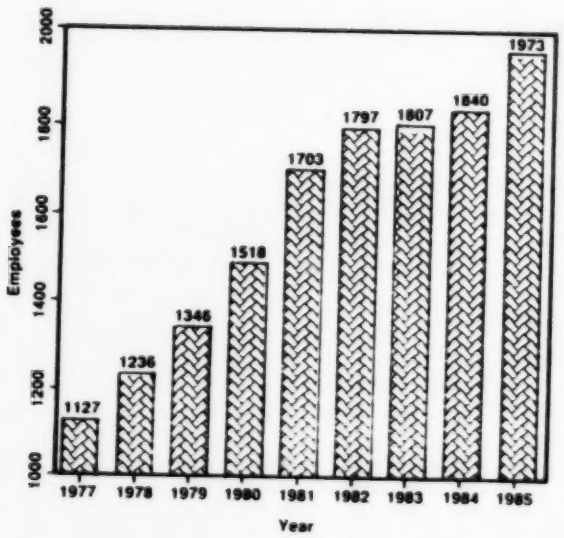
	1985	1984	1983	1982	1981	1980	1979	1978	1977
Pension Part of the Pension Plan									
Book Value of Investments	$37,424,278	$30,684,513	$24,116,494	$18,844,437	$14,463,759	$10,879,864	$8,132,148	$3,230,232	$1,057,564
Employee Contributions	$ 1,886,540	$ 1,753,556	$ 1,650,763	$ 1,521,516	$ 1,262,233	$ 1,032,653	$ 860,336	$ 729,123	$ 609,255
Employee Prior Service Payments	$ 10,364	$ 13,889	$ 16,731	$ 20,567	$ 124,195	$ 92,764	$ 78,021	$ 184,202	$ 105,102
Employer Contributions	$ 1,886,793	$ 1,753,657	$ 1,648,621	$ 1,520,819	$ 1,263,298	$ 1,032,715	$ 860,336	$ 729,123	$ 609,163
Pension Payments	$ 536,431	$ 436,151	$ 364,232	$ 243,284	$ 140,443	$ 82,845	$ 49,047	$ 20,265	$ 1,586
Refund of Contributions & Interest	$ 426,179	$ 244,651	$ 182,903	$ 174,019	$ 283,298	$ 183,498	$ 151,627	$ 109,485	$ 18,009
Reciprocal Agreement — Transfers In	$ 17,448	$ 34,811	—	—	—	—	—	—	—
Reciprocal Agreement — Transfers Out	$ 29,779	$ 45,832	$ 16,340	$ 59,797	—	—	—	—	—
General Expenses	$ 142,818	$ 113,343	$ 120,699	$ 102,078	$ 120,392	$ 103,557	$ 36,952	$ 31,600	$ 24,488
Participants in Fund	1,973	1,840	1,807	1,797	1,703	1,518	1,346	1,236	1,127
Employers Participating	257	247	243	241	238	236	228	218	207
Pensioners & Other Recipients	215	186	155	121	91	71	48	27	7
Terminated Employees	110	91	85	109	183	138	163	130	81
Disability Part of the Pension Plan									
Employee Contributions	$ 142,311	$ 130,668	$ 117,978	$ 105,918	$ 49,415				
Employer Contributions	$ 140,830	$ 130,097	$ 115,978	$ 100,427	$ 46,532				
Pension Payments	$ 136,105	$ 64,202	$ 53,357	$ 18,264	—				
Refund of Contributions & Interest	$ 18,483	$ 9,232	$ 7,193	$ 2,853	—				
Employers Participating	193	189	185	182	174				
Employees in Receipt of Disability Benefits	27	12	7	4	1				
Group Life Insurance Plan									
Employee Contributions	$ 174,768	$ 161,914	$ 149,306	$ 134,791	$ 97,039	$ 65,286	$ 55,107	$ 50,046	$ 41,579
Employer Contributions	$ 151,077	$ 139,209	$ 128,015	$ 115,191	$ 80,579	$ 51,580	$ 44,055	$ 41,230	$ 33,079
Death Claims	$ 42,000	$ 184,500	$ 126,170	$ 224,603	$ 142,000	$ 137,618	$ 29,000	$ 131,000	$ 45,000
Employers Participating	212	206	203	201	199	196	188	175	149

Report Highlights (continued)

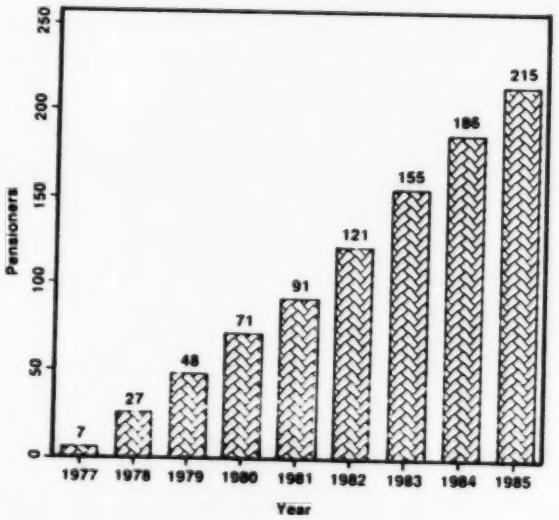
9 Year Fund Assets



Employees by Year



Pensioners by Year



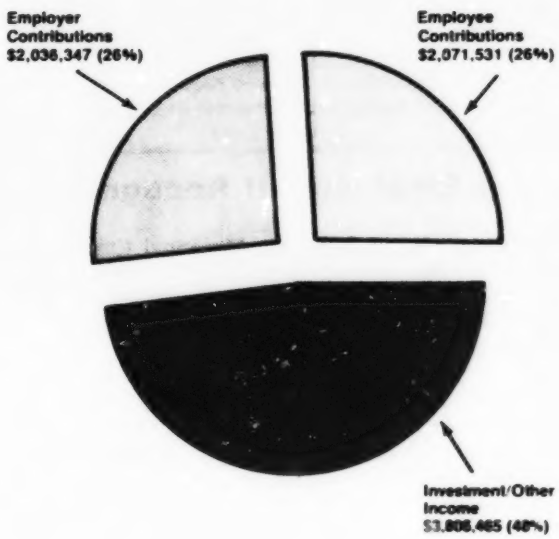
Municipal Employees Benefits Program

Pension Plan Activities

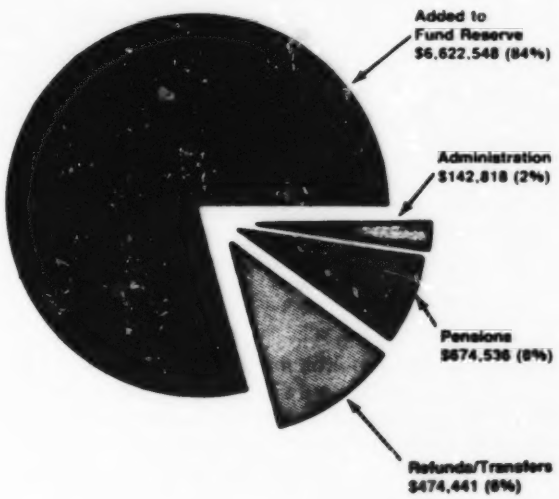
Pension Plan activities in 1985 compared with 1984 are displayed as follows:

	1985	1984	Increase (Decrease)
Book Value of Investments	$37,424,278	$30,684,513	$6,739,765
Employee Contributions	$ 1,886,540	$ 1,753,556	$ 132,984
Employee Prior Service Payments	$ 10,364	$ 13,889	$ (3,525)
Employer Contributions	$ 1,886,793	$ 1,753,657	$ 133,136
Pension Payments	$ 536,431	$ 436,151	$ 100,280
Refund of Contributions and Interest	$ 426,179	$ 244,651	$ 181,528
Reciprocal Agreement — Transfers In	$ 17,448	$ 34,811	$ (17,363)
Reciprocal Agreement — Transfers Out Employee and Employer Contributions and Interest	$ 29,779	$ 45,832	$ (16,053)
General Expenses	$ 142,818	$ 113,343	$ 29,475
Participants in Fund	1,973	1,840	133
Employers Participating	257	247	10
Pensioners & Other Recipients	215	186	29
Terminated Employees	110	91	19

Pension and Disability Income



Disbursement of Income



Participation

In 1985, the following employers began participation:

Cameron Sifton Weed Control District
Dauphin-Ochre Parks & Recreation Commission
Leaf Rapids Town Properties Ltd.
L.G.D. of Lynn Lake
Northern Community Councils
Parkland Regional Library
South Interlake Regional Library Board
Tiger Hills Recreation District
Town of Hartney
Town of Leaf Rapids
Westbourne Weed Control District

As at December 31, 1985, 194 municipalities plus 63 quasi-municipal organizations were participating in the Pension Plan. Participating municipalities with contributing members are listed in the Report of the Provincial Auditor's Office — financial statements.

Two hundred and eighty-four employees joined the Plan in 1985, bringing the total participants to 1,973. (This figure includes 42 members who were advised to remain in prior pension plans but who contribute to the Disability Pension Part of the Plan).

Pension Benefits

In 1985, pensions paid totalled $536,431, a net increase of $100,280 over 1984. Pensions were paid to 193 pensioners, 10 beneficiaries, and 12 spouses of employees who died in service. In 1985, there were 29 retirements and 1 automatic lifetime pension payable to the spouse of an employee who died in service. New retirees elected the following pension options:

Pension reducing to two-thirds at pensioner's death	13
10 Year Guarantee	6
15 Year Guarantee	2
Lifetime*	8
Total	**29**

***NOTE:** *The majority of pensioners who elected the lifetime pension were either single or had small pensions due to short service.*

An amendment to the Pension Benefits Act effective January 1, 1984 requires that employees who at the time of retirement have a spouse must select a joint form of pension that at the death of the pensioner provides two-thirds of the pension to the spouse for life. This compulsory pension option may be waived if the employee's spouse completes a spousal waiver form.

Since 1981, the Municipal Employees Benefits Board (MEBB) has extended to employees who elect to retire early the option of "integrating" their MEBB pension and receiving advances on their Old Age Security and/or Canada Pension. Those who choose to integrate their pension receive the same pension income before and after age 65. In 1985, six retirees chose to integrate.

As at December 31, 1985 there were 23 members with paid-up or deferred pensions.

Cost-of-Living Adjustment in Pensions

Effective July 1, 1985, a cost-of-living adjustment was paid to eligible pensioners and beneficiaries whose deceased spouses retired prior to July 1, 1984. Cost-of-living adjustments equalling 50% of the 3.78% increase in the Consumer Price Index for 1984, or 1.89% were paid. Each employee entitled to the full increase received 23¢ a month for each year of contributory service to a maximum of 35 years plus .95 of 1% of the ordinary lifetime pension.

Beneficiaries receive two-thirds of the increase which would have been paid had the retired employee been alive at the date of the increase.

Pension Refunds

In 1985, 110 employees terminated and received refunds of pension and disability pension contributions and interest totalling $396,348. This includes $12,566 which was transferred out of the Plan in respect of marriage breakdowns and compares to 88 employees who received refunds totalling $227,868 in 1984. The estate of a deceased employee received a refund of pension contributions and interest of $48,314.

Prior Employment Recognition

Up to the end of 1981, the Municipal Employees Benefits Board allowed the purchase of prior service benefits by employees who were employed by municipalities or quasi-municipal organizations prior to the introduction of the MEBB Pension Plan in 1976. In 1985, the Board continued to receive payments from 8 employees who elected to purchase prior pension credits and from 1 employee who is reinstating prior contributory service. These payments totalled $10,364 in 1985.

Reciprocal Pension Agreements — Manitoba Transfers

In 1985, six municipal or quasi-municipal employees transferred to a Reciprocating Manitoba employer. At 1985 year end, nineteen employees whose contributions remain in the MEBB Plan had transferred to the Manitoba Civil Service Superannuation Plan. Pensions paid to these employees at retirement will be based on the best seven years earnings out of the last 12 years with the province and/or municipal employer.

Reciprocal Pension Agreements — Other Jurisdictions

Reciprocal agreements permitting the transfer of pension credits between MEBB and the following pension plan authorities were in effect at calendar year end.

Alberta Local Authorities Pension Board
Saskatchewan Municipal Employees Superannuation Commission
Ontario Municipal Employees Retirement Board (OMERS)
Government of Canada — Public Service Pension Plan

	Transfers to MEBB in 1985		Transfers from MEBB in 1985	
	Number	Amount	Number	Amount
Alta. Local Authorities Pen. Brd.	1	$16,289		
Sask. Mun. Employees Sup. Com.	1	$ 1,159		
OMERS			1	$29.779
Total		**$17,448**		**$29,779**

Disability Pension Part of the Plan

A Disability Pension Part of the Plan came into being on June 1, 1981. Activities in 1985 compared with 1984 are displayed as follows:

Disability Pension Part of the Plan	1985	1984	Increase (Decrease)
Employee Contributions	$142,311	$130,668	$11,643
Employer Contributions	$140,830	$130,097	$10,733
Pension Payments	$138,105	$ 64,202	$73,903
Refund of Contributions and Interest	$ 18,483	$ 9,232	$ 9,251
Employers Participating	193	189	4
Employees in Receipt of Disability Benefits	27	12	15

Group Life Insurance

At 1985 year end, 159 municipalities plus 53 quasi-municipal organizations participated in the group life insurance program described as follows:

Group Life Insurance Plan	1985	1984	Increase (Decrease)
Employee Contributions	$174,768	$161,914	$ 12,854
Employer Contributions	$151,077	$139,209	$ 11,868
Death Claims	$ 42,000	$184,500	$(142,500)
Employers Participating	212	206	6

Municipal Employees Benefits Board Information Services

Board staff members are available to answer inquiries or meet individually with any employee (and spouse, family, etc.) who wishes information and assistance on termination or retirement planning or other matters of concern. During 1985, many municipal employees and spouses took advantage of this information and counselling service.

In 1985, the Municipal Employees Benefits Board conducted four information seminars on pensions and group insurance benefits in various Manitoba communities. Topics discussed included eligibility, entitlement to benefits, family protection, disability, death, etc. As well, a presentation on the benefits program was made at the Annual Convention of the Municipal Administrators' Association.

An Annual Employee Benefits Statement detailing plan members' status, contributions, pensionable service, current and projected pension benefits, and the amount of group insurance coverage was distributed to each member. Members were also sent a copy of the Annual Report and an information pamphlet describing changes to the MEBB Pension Plan.

Report On Changes In Status — Participants

For the year ended December 31, 1985

Males

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1985
-19	1	—	—	—	1
20-24	25	12	—	—	57
25-29	41	12	—	—	195
30-34	35	16	1	—	219
35-39	27	14	—	—	225
40-44	15	6	—	—	164
45-49	20	5	—	—	180
50-54	20	2	—	—	188
55-59	12	2	1	5	173
60-	6	3	—	14	148
	202	72	2	19	1,550

Females

Age Group	Entered	Withdrew	Died	Retired	Participants at Dec. 31, 1985
-19	4	—	—	—	4
20-24	16	6	—	—	41
25-29	11	19	—	—	69
30-34	12	5	—	—	60
35-39	16	4	—	—	62
40-44	10	2	—	—	65
45-49	9	3	—	—	49
50-54	4	—	—	—	33
55-59	—	1	—	1	22
60-	—	—	—	9	18
	82	40		10	423
Totals	**284**	**112**	**2**	**29**	**1,973**

Actuarial Studies

Triennial Valuation

The Municipal Act requires an actuarial report be made on the financial position of the Fund at the end of each three year period. Actuarial valuations and cost studies provide the basis for decision making regarding improvements in benefits such as increases in pension to offset increases in the cost of living. The following highlights the actuarial position of the Fund as determined by Turnbull and Turnbull, Consulting Actuaries.

Actuarial Position of Fund as of:	Jan. 1, 1983 ($000)	Jan. 1, 1980 ($000)	Increase (Decrease) ($000)
Assets	67,658	34,176	33,482
Liabilities	59,426	32,960	26,466
Actuarial Surplus	**8,232**	**1,216**	**7,016**

Pension Plan Benefit Improvements Financed Out of Actuarial Surplus

Early Retirement Reduction in Pension

Based on findings of the 1983 Actuarial Report, the early retirement reduction was improved in 1985 from 1/4 of 1% to 1/8 of 1% for each month that an employee retires prior to attaining age 60. The actuarial cost of this benefit was $382,200.

Pension Adjustment Account

A Pension Adjustment Account was established to finance increases in pension to offset increases in the cost of living. Two million dollars of the actuarial surplus as at January 1, 1983 was transferred to the Account and interest totalling $632,975 has accrued to December 31, 1985.

The Account provides increases in pension each July 1, commencing in 1985 which are consistent with the method used in prior years but limited to 50% of the rise in the Consumer Price Index for Canada in the prior year or a 5% pension increase, whichever is less. The amount of the increase will also be limited by the Accounts' ability to finance increases without creating an unfunded liability.

The Actuary has estimated that the transferred amount will be sufficient to finance cost-of-living increases for the next five years. Following the actuarial valuation report as at January 1, 1986, the Board will review Pension Adjustment Account funding.

Remaining Actuarial Surplus

After funding the pension reform changes as outlined in the Eighth Annual Report, along with the improvement in early retirement pensions and the establishment of the Pension Adjustment Account, the Actuary has estimated that an actuarial surplus of $2,795,940 remains. The Board set aside a part of this remaining surplus to absorb increases in benefit costs and insure plan solvency in future.

Investments

The following comparative table illustrates investments held in trust by the Municipal Employees Benefits Board as of December 31, 1985.

Investment Holdings	1985 ($000)	1984 ($000)	Increase (Decrease) ($000)
Bonds:			
Federals and Provincials	4,174	4,059	115
City and Municipal	876	901	(25)
Corporate	1,895	2,028	(133)
Pooled Bond Funds	3,766	1,956	1,810
Calendar Year Funds	3,895	4,338	(443)
	14,606	13,282	1,324
Mortgages:			
CMHC Insured	1,756	1,582	174
Pooled Mortgage Funds	10,560	9,168	1,392
	12,316	10,750	1,566
Short Term Certificates	2,938	1,265	1,673
Equities:			
Common Stock	4,225	2,793	1,432
Petroleum and Natural Gas Interests	500	225	275
	4,725	3,018	1,707
Real Estate	2,959	2,754	205
Totals	**37,544**	**31,069**	**6,475**

NOTE: *The average yield on new bonds purchased in 1985 was 11.2%.*

Manitoba

Report of the Provincial Auditor's Office

The Municipal Employee Benefits Fund

We have examined the financial statements, being Exhibits A to E and Schedules 1 to 4, of The Municipal Employee Benefits Fund for the fiscal year ended December 31, 1985. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1985 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 1 to the financial statements applied, after giving retroactive effect to the adjustments described in notes 6 and 7, on a basis consistent with that of the preceding year.

June 25, 1986,
Winnipeg, Manitoba.

F. H. Jackson, C.A.,
Provincial Auditor.

Exhibit A
The Municipal Employee Benefits Fund

Balance Sheet

as at December 31, 1985
(with 1984 figures for comparison)

Assets			Liabilities		
The Pension Fund					
	1985	**1984**		**1985**	**1984**
Cash	$ 241,802	$ 145,247	Cheques issued and oustanding	$ 275,874	$ 141,572
Account receivable	—	3,308	Accounts payable	22,330	11,450
Employees' and employers' contributions receivable	338,677	329,534	Provision for investment losses, Exhibit D, Note 1(b)	330,469	257,500
Investments, Schedule 1, Note 1(a)	37,424,278	30,684,513	Pension indexing adjustment account Exhibit E, Note 4	2,628,864	—
Accrued investment income	274,903	276,358	Reserve for present and future pension benefits, Exhibit B	35,022,123	31,028,438
	$38,279,660	$31,438,960		$38,279,660	$31,438,960

Assets			Liabilities		
The Insurance Fund					
	1985	**1984**		**1985**	**1984**
Cash	$ 8,312	$ 104,143	Accounts payable	$ 1,432	$ 2,025
Employees' and employers' contributions accrued, Note 1(d)	26,251	23,922	Insurance contributions account, Note 1(d)	27,891	25,564
Funds on deposit with The Prudential Assurance Company Limited	125,458	36,169	Reserve for present and future insurance benefits, Exhibit C	282,989	137,566
Term deposits	150,000	—			
Accrued interest	2,291	921			
	$ 312,312	$ 165,155		$ 312,312	$ 165,155
	$38,591,972	**$31,604,115**		**$38,591,972**	**$31,604,115**

Exhibit B
The Municipal Employee Benefits Fund

Statement of Changes in the Reserve for Present and Future Pension Benefits

for the year ended December 31, 1985
(with 1984 figures for comparison)

	1985	1984
Additions:		
Employers' and employees' contributions, Schedule 2	$ 4,107,878	$ 4,251,510
Investment income, Schedule 3	3,801,031	3,035,670
Bank and other interest	5,434	5,857
Total additions	7,914,343	7,293,037
Deductions:		
Pension payments	536,431	436,151
Pension payments — long term disability	138,105	64,202
Refunds of contributions and interest, Note 1(c)	444,661	253,883
Payments of contributions and interest to other pension plans	29,779	45,832
Administrative expenses, Schedule 4, Note 3	142,818	113,343
Total deductions	1,291,794	913,411
Net increase for the year	**$ 6,622,549**	**$ 6,379,626**

Changes in the Reserve for Present and Future Pension Benefits

Balance at beginning of year, before restatement	$30,569,389	$24,493,186
Adjustment of prior years, Note 7	459,049	155,626
After restatement	31,028,438	24,648,812
Net increase for the year	6,622,549	6,379,626
Net transfer to pension indexing adjustment account, Exhibit E	(2,628,864)	—
Balance at end of year, Exhibit A	**$35,022,123**	**$31,028,438**

Exhibit C
The Municipal Employee Benefits Fund

Statement of Changes in the Reserve for Present and Future Insurance Benefits

for the year ended December 31, 1985
(with 1984 figures for comparison)

	1985	1984
Additions:		
Contributions:		
Employees	$174,768	$161,914
Employers	151,077	139,209
Total contributions	325,845	301,123
Interest income	13,159	9,491
Increase in experience surplus held by The Prudential Assurance Company Limited, Note 6	89,289	36,169
Insurance experience refund, Note 6	11,600	—
Total additions	439,893	346,783
Deductions:		
Actuarial fees	8,118	3,088
Premiums to The Prudential Assurance Company Limited	286,352	278,904
Miscellaneous	—	130
Total deductions	294,470	282,122
Net increase for the year	**$145,423**	**$ 64,661**

Changes in the Reserve for Present and Future Insurance Benefits

Balance at beginning of year, before restatement	$101,397	$ 72,905
Adjustment of prior years, Note 6	36,169	
After restatement	137,566	72,905
Net increase for the year	145,423	64,661
Balance at end of year, Exhibit A	**$282,989**	**$137,566**

Exhibit D
The Municipal Employee Benefits Fund

Statement of Changes in the Provision for Investment Losses

for the year ended December 31, 1985
(with 1984 figures for comparison)

	1985	1984
Additions:		
Transfer from investment income, Schedule 3	$ 72,969	$ 61,876
Total additions	72,969	61,876
Balance at beginning of year	257,500	195,624
Balance at end of year, Exhibit A	**$330,469**	**$257,500**

Exhibit E
The Municipal Employee Benefits Fund

Statement of Changes in the Pension Indexing Adjustment Account

for the year ended December 31, 1985

	1985
Additions:	
Initial transfer to establish the pension indexing adjustment account	$2,376,200
Interest	256,775
Total additions	2,632,975
Deductions:	
Charge for pension cost-of-living adjustments	4,111
Net transfer from reserve for present and future pension benefits, Exhibit B, Note 4	2,628,864
Balance at beginning of year	—
Balance at end of year, Exhibit A	**$2,628,864**

Schedule 1
The Municipal Employee Benefits Fund

Summary of Investments

as at December 31, 1985

	Par Value	Book Value
Fixed income investments:		
Term deposits	$ 2,938,734	$ 2,938,734
Bonds and debentures:		
Government of Canada	$ 3,935,000	3,824,022
Province of Ontario	100,000	100,000
Province of Saskatchewan	250,000	250,000
Hospitals	250,000	250,000
Municipal Corporations	626,000	626,000
Corporations	1,933,000	1,895,017
	$ 7,094,000	6,945,039
Pooled bond funds		3,765,738
Calendar year funds		3,894,911
Mortgages — National Housing Act (Canada)	$ 1,785,151	1,756,536
Pooled mortgage funds		10,559,747
Unamortized net gains on disposition		(371,301)
Total fixed income investments at amortized cost, Note 1(a)(i)		29,489,404
Equity investments:		
Pooled equity funds		4,225,418
Petroleum & natural gas investments, shares		500,000
Real estate		
Units of pooled real estate, Note 1(a)(ii)		2,958,601
Unamortized gains on disposition		(20,025)
Unrealized appraisal adjustments		270,880
Total equity investments, Note 1(a)(ii)		7,934,874
Total investments, Exhibit A		**$37,424,278**

Schedule 2
Page 1
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1985

Municipal corporations	Employers' contributions	Employees' contributions	Total
Cities			
Brandon	$ 427,600	$ 427,600	$ 855,200
Flin Flon	63,133	63,133	126,266
Portage la Prairie	67,955	67,955	135,910
Thompson	141,142	141,143	282,285
	699,830	699,831	1,399,661
Local government districts			
Alexander	5,621	5,614	11,235
Alonsa	699	699	1,398
Armstrong	832	832	1,664
Churchill	39,433	39,433	78,866
Consol	1,106	1,106	2,212
Fisher	2,079	2,079	4,158
Gillam	28,819	28,819	57,638
Grahamdale	686	686	1,372
Grand Rapids	3,780	3,780	7,560
Lynn Lake	13,448	13,448	26,896
Mountain	643	643	1,286
Mystery Lake	15,738	15,738	31,476
Park	556	556	1,112
Pinawa	20,294	20,294	40,588
Reynolds	776	776	1,552
	134,510	134,503	269,013
Rural municipalities			
Albert	1,008	1,008	2,016
Argyle	5,870	5,870	11,740
Arthur	3,190	3,190	6,380
Bifrost	3,903	3,903	7,806
Birtle	3,384	3,384	6,768
Blanshard	1,846	1,846	3,692
Brenda	5,067	5,067	10,134
Brokenhead	5,385	5,385	10,770
Cameron	2,930	2,930	5,860
Subtotal, carried forward	$ 32,583	$ 32,583	$ 65,166

Schedule 2
Page 2
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1985

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 32,583	$ 32,583	$ 65,166
Rural municipalities *(cont.)*			
Cartier	4,967	4,967	9,934
Clanwilliam	1,548	1,548	3,096
Coldwell	1,976	1,976	3,952
Cornwallis	3,383	3,383	6,766
Daly	2,798	2,798	5,596
Dauphin	8,639	8,639	17,278
De Salaberry	5,724	5,724	11,448
Dufferin	7,039	7,039	14,078
East St. Paul	13,231	13,231	26,462
Edward	5,032	5,032	10,064
Ellice	758	758	1,516
Elton	2,747	2,747	5,494
Eriksdale	1,785	1,785	3,570
Franklin	5,814	5,814	11,628
Gilbert Plains	5,074	5,074	10,148
Gimli	7,319	7,319	14,638
Glenella	1,365	1,365	2,730
Glenwood	1,670	1,670	3,340
Grandview	4,993	4,993	9,986
Grey	6,278	6,278	12,556
Hamiota	1,357	1,357	2,714
Hanover	8,971	8,971	17,942
Harrison	3,088	3,088	6,176
Hillsburg	2,248	2,248	4,496
La Broquerie	2,120	2,120	4,240
Lac du Bonnet	8,127	8,127	16,254
Lakeview	1,514	1,514	3,028
Langford	2,838	2,838	5,676
Lansdowne	3,099	3,099	6,198
Lawrence	3,145	3,145	6,290
Lorne	6,231	6,231	12,462
Louise	4,663	4,663	9,326
Macdonald	12,357	12,357	24,714
McCreary	1,603	1,603	3,206
Miniota	4,085	4,085	8,170
Minitonas	4,518	4,512	9,030
Minto	2,335	2,335	4,670
Subtotal, carried forward	$ 197,022	$ 197,016	$ 394,038

Schedule 2
Page 3
The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1985

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 197,022	$ 197,016	$ 394,038
Rural municipalities *(cont.)*			
Montcalm	7,419	7,419	14,838
Morris	12,898	12,898	25,796
Morton	1,459	1,459	2,918
Mossey River	2,610	2,610	5,220
North Cypress	5,720	5,720	11,440
North Norfolk	7,183	7,183	14,366
Ochre River	1,815	1,815	3,630
Odanah	1,733	1,733	3,466
Pembina	7,948	7,948	15,896
Pipestone	7,845	7,845	15,690
Portage la Prairie	18,672	18,672	37,344
Rhineland	8,635	8,635	17,270
Ritchot	6,677	6,677	13,354
Riverside	797	797	1,594
Roblin	3,613	3,613	7,226
Rockwood	7,606	7,606	15,212
Roland	4,404	4,404	8,808
Rosedale	4,822	4,822	9,644
Rosser	3,047	3,047	6,094
Russell	610	610	1,220
St. Andrews	12,394	12,394	24,788
Ste. Anne	3,427	3,427	6,854
St. Clements	9,105	9,105	18,210
St. Francois Xavier	1,093	1,093	2,186
St. Laurent	1,470	1,470	2,940
Ste. Rose	3,028	3,028	6,056
Saskatchewan	3,434	3,434	6,868
Shellmouth	3,736	3,709	7,445
Shell River	4,030	4,030	8,060
Shoal Lake	816	816	1,632
Sifton	2,446	2,446	4,892
Siglunes	2,253	2,253	4,506
Silver Creek	2,784	2,784	5,568
South Cypress	3,502	3,502	7,004
South Norfolk	2,038	2,038	4,076
Springfield	16,586	16,586	33,172
Subtotal, carried forward	$ 384,677	$ 384,644	$ 769,321

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The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1985

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 384,677	$ 384,644	$ 769,321
Rural municipalities *(cont.)*			
Stanley	7,689	7,578	15,267
Strathclair	1,431	1,431	2,862
Strathcona	2,853	2,853	5,706
Swan River	5,293	5,293	10,586
Tache	5,527	5,527	11,054
Thompson	5,223	5,223	10,446
Turtle Mountain	4,171	4,171	8,342
Victoria	3,947	3,947	7,894
Victoria Beach	3,945	3,945	7,890
Wallace	5,268	5,268	10,536
Westbourne	7,064	7,064	14,128
West St. Paul	6,689	6,689	13,378
Whitehead	2,006	2,006	4,012
Whitemouth	3,075	3,075	6,150
Whitewater	2,568	2,568	5,136
Winchester	4,149	4,149	8,298
Woodlands	5,019	5,019	10,038
Woodworth	4,221	4,221	8,442
	464,815	464,671	929,486
Towns			
Altona	14,493	14,493	28,986
Beausejour	9,485	9,485	18,970
Birtle	1,461	1,461	2,922
Boissevain	3,985	3,985	7,970
Carberry	3,809	3,809	7,618
Carman	5,637	5,637	11,274
Dauphin	47,622	47,622	95,244
Deloraine	5,926	5,926	11,852
Emerson	2,639	2,639	5,278
Gimli	9,203	9,206	18,409
Gladstone	2,529	2,529	5,058
Grandview	4,426	4,426	8,852
Hartney	843	843	1,686
Killarney	5,740	5,740	11,480
Subtotal, carried forward	$ 117,798	$ 117,801	$ 235,599

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The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1985

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 117,798	$ 117,801	$ 235,599
Towns *(cont.)*			
Leaf Rapids	17,891	17,891	35,782
Melita	4,616	4,616	9,232
Minnedosa	11,099	11,099	22,198
Morden	18,154	18,154	36,308
Morris	3,898	3,898	7,796
Neepawa	14,188	14,188	28,376
Rapid City	264	264	528
Rivers	3,683	3,598	7,281
Roblin	8,305	8,305	16,610
Russell	4,814	4,814	9,628
Selkirk	58,965	58,965	117,930
Snow Lake	10,894	10,894	21,788
Souris	8,960	8,960	17,920
Steinbach	23,450	23,450	46,900
Stonewall	8,225	8,225	16,450
Swan River	17,688	17,688	35,376
The Pas	35,914	35,914	71,828
Virden	10,744	10,744	21,488
Winkler	16,787	16,787	33,574
Winnipeg Beach	4,117	4,117	8,234
	400,454	400,372	800,826
Villages			
Arborg	3,127	3,127	6,254
Benito	1,947	1,947	3,894
Binscarth	623	623	1,246
Bowsman	1,391	1,391	2,782
Cartwright	1,023	1,023	2,046
Crystal City	1,504	1,504	3,008
Donnottar	5,322	5,322	10,644
Erickson	1,865	1,865	3,730
Gilbert Plains	3,652	3,652	7,304
Glenboro	1,917	1,917	3,834
Gretna	1,578	1,578	3,156
Hamiota	4,074	4,074	8,148
Subtotal, carried forward	$ 28,023	$ 28,023	$ 56,046

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The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1985

Municipal corporations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 28,023	$ 28,023	$ 56,046
Villages *(cont.)*			
Lac du Bonnet	3,528	3,528	7,056
MacGregor	1,515	1,515	3,030
Manitou	1,744	1,744	3,488
McCreary	694	694	1,388
Minitonas	832	832	1,664
Niverville	2,333	2,333	4,666
Notre Dame de Lourdes	1,581	1,581	3,162
Pilot Mound	1,953	1,953	3,906
Plum Coulee	1,844	1,844	3,688
Powerview	1,713	1,713	3,426
Riverton	249	249	498
Ste. Anne	4,998	4,998	9,996
Ste. Claude	1,808	1,808	3,616
St. Lazare	854	854	1,708
St. Pierre	2,443	2,443	4,886
Ste. Rose du Lac	1,760	1,760	3,520
Shoal Lake	2,737	2,737	5,474
Somerset	1,737	1,737	3,474
Teulon	2,420	2,420	4,840
Treherne	2,866	2,866	5,732
Waskada	672	672	1,344
Wawanesa	549	549	1,098
Winnipegosis	2,785	2,785	5,570
	71,638	71,638	143,276
Quasi-municipal organizations			
Weed control boards and districts			
Agassiz	1,025	1,025	2,050
Argyle-Lorne-Somerset	880	880	1,760
Arthur-Edward	761	761	1,522
Brenda-Winchester	739	739	1,478
Cameron-Sifton	610	610	1,220
Dauphin-Ochre	853	853	1,706
Franklin	968	968	1,936
Gilbert Plains-Grandview	825	825	1,650
Subtotal, carried forward	$ 6,661	$ 6,661	$ 13,322

Schedule 2
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The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1985

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 6,661	$ 6,661	$ 13,322
Weed control boards and districts *(cont.)*			
Glenboro-South Cypress	704	704	1,408
Macdonald	187	187	374
North Norfolk and District	1,075	1,075	2,150
North Cypress	326	305	631
Pembina-Manitou	990	990	1,980
Pipestone-Albert	880	880	1,760
Red River	697	697	1,394
Rosedale-Langford-Neepawa	792	792	1,584
Selkirk	1,015	1,015	2,030
South Central	824	824	1,648
Southeast	1,141	1,141	2,282
Springfield-Tache	1,036	1,036	2,072
Stanley-Thompson	968	968	1,936
Stuartburn-Piney	881	881	1,762
Wallace	343	343	686
Westbourne-Lansdowne	587	587	1,174
Whitemouth-Reynolds	824	824	1,648
	19,931	19,910	39,841
Other			
Boissevain-Morton Regional Library	513	513	1,026
Boyne Regional Library	581	581	1,162
Brandon and Area Planning District	6,492	6,492	12,984
Brokenhead River Planning District	706	706	1,412
Brokenhead River Regional Library Board	667	667	1,334
Carberry Plains Cemetery	681	681	1,362
Carberry Plains Community Centre Board	907	907	1,814
Carman-Dufferin Recreation Commission	1,609	1,609	3,218
Cypress Planning District	257	257	514
Unincorporated Village District of Cranberry Portage	2,006	2,006	4,012
Subtotal, carried forward	$ 14,419	$ 14,419	$ 28,838

Schedule 2
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The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1985

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 14,419	$ 14,419	$ 28,838
Other *(cont.)*			
Dauphin Memorial Community Centre	1,469	1,469	2,938
Dauphin-Ochre Parks and Recreation Committee	411	411	822
Flin Flon Recreation Commission	14,119	14,119	28,238
Hamiota Municipal Park Incorporated	728	728	1,456
Jolys Regional Library	507	507	1,014
Leaf Rapids Town Properties	5,356	5,356	10,712
Manitoba Association of Urban Municipalities	1,825	1,825	3,650
Minnedosa Regional Library	683	683	1,366
Morden-Stanley-Thompson-Winkler Planning District	1,116	1,116	2,232
Municipal Employees Benefits Board	1,964	1,964	3,928
North Cypress-Carberry-Elton Recreation District	704	704	1,408
Neepawa and Area Planning District	493	493	986
Northern Community Councils	20,610	20,610	41,220
Parkland Regional Library	2,478	2,478	4,956
Reston District Library Board	495	495	990
Selkirk and District Planning Area Board	1,852	1,852	3,704
South Central Regional Library Board	2,099	2,099	4,198
South Interlake Planning District Board	1,778	1,778	3,556
South Interlake Regional Library Board	385	385	770
Tiger Hills Recreation District	202	202	404
Turtle River Watershed Conservation District #2	1,997	1,997	3,994
Union of Manitoba Municipalities	3,020	3,020	6,040
Subtotal, carried forward	$ 78,710	$ 78,710	$ 157,420

Schedule 2
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The Municipal Employee Benefits Fund

Statement of Pension Contributions

for the year ended December 31, 1985

Quasi-municipal organizations	Employers' contributions	Employees' contributions	Total
Subtotal, brought forward	$ 78,710	$ 78,710	$ 157,420
Other *(cont.)*			
Western Manitoba Centennial Auditorium	4,330	4,330	8,660
Western Manitoba Regional Library Board	6,239	6,239	12,478
Whitemud Watershed Conservation District #1	5,522	5,522	11,044
Winnipeg River Planning District	814	814	1,628
	95,615	95,615	191,230
Total regular pension contributions	1,886,793	1,886,540	3,773,333
Contributions based on prior non-pensionable employment	—	9,964	9,964
Reinstatement payments	—	400	400
Long term disability	140,830	142,311	283,141
Receipts from other pension plans re transfer of employee benefits under reciprocal agreements	8,724	8,724	17,448
Transfer from prior carrier, Note 2	—	23,592	23,592
Total pension contributions, Exhibit B	**$2,036,347**	**$2,071,531**	**$4,107,878**

Schedule 3
The Municipal Employee Benefits Fund

Statement of Investment Income

for the year ended December 31, 1985
(with 1984 figures for comparison)

	1985	1984
Fixed income, Note 1(a)(i):		
Interest	$3,228,243	$2,708,807
Amortization of discounts and premiums	8,946	8,046
Amortization of net realized gains, Note 1(a)(i)	45,455	45,325
Transfer to provision for investment losses, Exhibit D	(72,969)	(61,876)
	3,209,675	2,700,302
Equity income, Note 1(a)(ii):		
Real estate — dividends and interest	205,050	175,267
Other dividends and interest	169,514	108,890
Partial unrealized appraisal adjustments, net, Note 1(a)(ii)	210,117	44,536
Amortization of realized gains	6,675	6,675
	591,356	335,368
Total investment income, Exhibit B	**$3,801,031**	**$3,035,670**

Schedule 4
The Municipal Employee Benefits Fund

Statement of Administrative Expenses

for the year ended December 31, 1985
(with 1984 figures for comparison)

	1985	1984
Salaries and fringe benefits:		
Salaries — permanent staff	$ 85,868	$ 61,570
Salaries — part-time staff	—	9,935
Fringe benefits	6,304	6,068
Health and post-secondary education tax levy	—	800
	92,172	78,373
Professional fees:		
Actuary	17,994	13,598
Audit	10,025	6,350
Medical consultant	—	1,700
	28,019	21,648
Printing and stationery:		
Printing	3,083	1,980
Stationery and supplies	298	2,171
	3,381	4,151
Other:		
Bank and investments	2,169	2,109
Furniture and fixtures	2,835	203
Medical examinations	5,140	782
Seminars and travelling	5,185	2,564
Telephone, postage and delivery	832	628
Computer related costs	2,268	1,732
Miscellaneous	817	1,153
	19,246	9,171
Total administrative expenses, Exhibit B	**$142,818**	**$113,343**

The Municipal Employee Benefits Fund

Notes to the Financial Statements

for the year ended December 31, 1985

1. **Significant Accounting Policies:**

   The significant accounting policies are summarized below:

   (a) The investment valuation and income measurement policies consist of:

      (i) Fixed income investments:

      Premiums and discounts of one percent or less of par value are reflected in income in the year of acquisition. All other premiums and discounts are amortized to income on a straight line basis over the term of the investment commencing with the year of acquisition.

      Gains or losses on disposition before maturity are amortized to income on a straight line basis over the remaining term of the investment to a maximum of 20 years. The unamortized balances remain as part of the book value of the total investments.

      Investment income is reduced annually by 1/4 of 1% of the book value of investments to a maximum of the provision not exceeding 3% of the book value of the investments and the amount of the reduction is credited to the provision for investment losses.

      (ii) Equity investments:

      Equity investments are adjusted annually to reflect one-fifth of any unrealized gains or losses. One-fifth of the difference between market value and the adjusted book value at year end is reflected in income.

      One-fifth of any realized gains or losses is reflected in income in the year of disposition. The remaining four-fifths is reflected in the value of the investment assets and amortized to income in equal amounts over the next four years.

   (b) Provision for investment losses:

      The provision for investment losses, shown in the Balance Sheet, does not reflect a valuation of the investments, but is maintained to stabilize and even out the investment income. Any impairment in the value of investments, if considered permanent by the Investment Committee, will be charged against the provision.

   (c) Refunds:

      The Fund's policy is to reflect refunds of employees' contributions on the cash method of accounting.

   (d) Group Life Insurance:

      The Fund has included contributions by employees and participating organizations in the month of December pertaining to coverage for January in its accounts. This is reflected in the financial statements as insurance contributions accrued and is offset by the insurance contributions account.

2. **Transfers from Prior Carriers:**

   The Municipal Employees Benefits Board's actuary has been arranging, on behalf of the Board, for the transfer of funds pertaining to municipal employees prior service from prior carriers for employees who have agreed to have these funds transferred to the Fund. During 1985 an amount of $23,592 (1984 - $434,832) was transferred from a prior carrier. As at December 31, 1985, transfers have been made amounting to $3,924,481 (1984 - $3,900,889).

   The funds transferred remain with prior carriers who are holding them in trust for the Fund in accordance with the terms of the contracts. These contracts provide that the Fund, with minor restrictions, can take complete control of the funds with the following exceptions: one contract may not be terminated until April 1, 1988; one contract reserves the right to limit withdrawals of funds to 25% in any one year of the funds on deposit; and two contracts provide for penalties commencing at 5% and reducing progressively until eliminated by 1986 and 1991. As a result of the transfers, the Board assumes responsibility for the related pension liabilities.

3. **Administrative Services:**

The Municipal Employees Benefits Board entered into an agreement with The Civil Service Superannuation Board to provide administrative services to The Municipal Employees Benefits Board with regard to its Pension Plan and Group Insurance Plan operations. In accordance with the terms of the agreement, The Municipal Employees Benefits Board reimburses The Civil Service Superannuation Board for the cost of these services. During the year under review, the administrative services reimbursement amounted to $43,919 (1984 - $20,322) and is included in administrative expenses.

4. **Pension Indexing Adjustment Account:**

The Municipal Employees Benefits Board approved a revision to the cost-of-living program, effective July 1, 1985, which provides for cost-of-living adjustments to pension payments to a maximum of the lesser of 50% of the Consumer Price Index of Canada or 5%. Also, on July 1, 1985, a pension indexing adjustment account was established to finance these cost-of-living adjustments. An initial transfer was made to this account from the reserve for present and future pension benefits in the amount of $2,376,200. Interest is credited to the account at the average rate of return on fixed income investments during the three year period reviewed in the latest actuarial report on the financial position of the Pension Plan. Cost-of-living adjustments are charged to the account.

5. **Actuarial Reports:**

The financial statements do not take into account actuarial valuations and therefore do not reflect the financial position of the Pension Fund on an actuarial valuation basis. In accordance with The Municipal Act, an actuarial report on the Pension Fund is required every three years. The most recent actuarial report on the Pension Fund as at January 1, 1983 disclosed a surplus of $8,232,240.

The actuarial report on the Insurance Fund as at January 1, 1983 disclosed a deficit of $623,552. The Actuary, in his report, stated that the existence of a deficit in the Insurance Fund is due to the initial unfunded liability when the Insurance Plan commenced. He also stated that the deficit is decreasing in terms of a percentage of total liabilities. The financial position of the Insurance Fund is expected to improve in the future based on a further improvement in claims experience and higher investment earnings.

6. **Insurance Fund Experience:**

(a) Experience Rating:

The Prudential Assurance Company will, after the end of the policy year, determine whether a surplus or deficit has been incurred in accordance with the terms of the policy. The policy of the Fund is to recognize this surplus or deficit in the financial statements only after a final determination has been made. Interest is earned on a surplus and charged on a deficit from the end of the period for which the surplus or deficit is determined.

If the policy is in force at the end of the policy year, The Prudential Assurance Company Limited agrees to pay to the Board, the amount by which the surplus exceeds 50% of the premium paid to Prudential during the policy year just completed. In 1985 the Board received an experience refund of excess surplus for the policy year ended December 31, 1984 plus interest amounting to $11,600 (1984 - nil) as shown in Exhibit C.

The surplus retained by The Prudential Assurance Company Limited but belonging to the Board at the end of December 31, 1984 policy year amounted to $125,458 (1983 - $36,169). These funds have been reflected as an asset in 1985 and 1984 respectively. The prior year figures have been restated retroactively.

The effect of recognizing these funds has been to increase both the assets of the Insurance Fund and the reserve for present and future insurance benefits by $125,458 (1984 - $36,169).

(b) Termination:

If this policy is terminated, the surplus or deficit will be determined in accordance with the terms of the policy on a final settlement date, after taking into account any surplus or deficit carried forward from prior years. A final surplus will be paid as a refund while a final deficit will be the responsibility of The Prudential Assurance Company Limited.

7. **Recognition of Unreported Income:**

   Income which was previously considered a portion of market appreciation from certain of the pooled bond funds, pooled mortgage funds, pooled equity funds and units of pooled real estate was not recognized. The Fund has taken steps to obtain additional information with respect to these investments, and the income is now recognized in accordance with the accounting policies stated in Note 1(a). The adjustments necessary to reflect this increase have been made retroactively and the figures for 1984 have been restated.

   These adjustments have resulted in an increase in the book value of investments at December 31, 1985 of $922,267 (1984 - $459,804), an increase in the provision for investment losses at December 31, 1985 of $1,467 (1984 - $754), an increase in investment income for the year ended December 31, 1985 of $461,751 (1984 - $303,423), and an increase in the reserve for present and future benefits of $920,800 (1984 - $459,049).

8. Certain of the 1984 figures have been restated to conform to the 1985 presentation basis.